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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

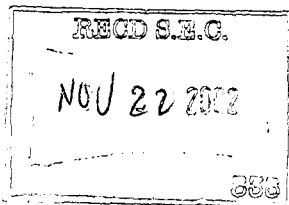
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III  
FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/01/01 AND ENDING 09/30/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Little and Company Investment Securities

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

211 West Wall Street

(No. and Street)

Midland

(City)

TX

(State)

79701

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Cheshier & Fuller, L.L.P.

(Name - if individual, state last, first, middle name)

14175 Proton Rd.

(Address)

Dallas

(City)

TX

(State)

75244

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

**DEC 24 2002**

**THOMSON  
FINANCIAL**

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

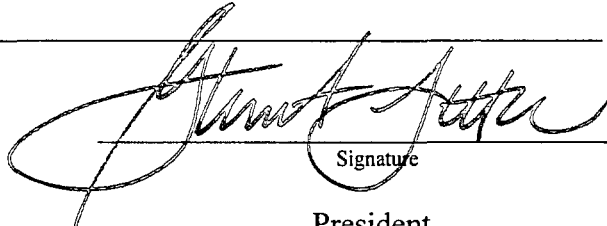
SEC 1410 (3-91)

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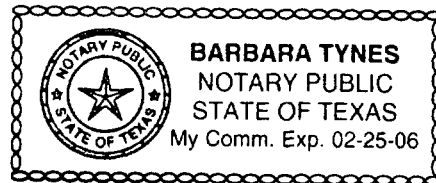
## OATH OR AFFIRMATION

I, Glenn A. Little, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Little and Company Investment Securities, as of September 30, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
President  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public



This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

LITTLE AND COMPANY INVESTMENT SECURITIES

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED SEPTEMBER 30, 2002

## **LITTLE AND COMPANY INVESTMENT SECURITIES**

### **CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL CONDITION	2
STATEMENT OF INCOME	3
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY	4
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 10
SUPPORTING SCHEDULES	
Schedule I: Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	12 - 13
Schedule II: Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	14
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5	16 - 17



*Cheshier & Fuller, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SEC PRACTICE SECTION OF AICPA  
TEXAS SOCIETY OF CERTIFIED  
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### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Little and Company Investment Securities

We have audited the accompanying statement of financial condition of Little and Company Investment Securities as of September 30, 2002, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little and Company Investment Securities, as of September 30, 2002 and the results of its operations and its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CHESHER & FULLER, L.L.P.

Dallas, Texas  
October 16, 2002

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Financial Condition

September 30, 2002

**ASSETS**

Cash and cash equivalents	\$ 113,112
Receivable from broker/dealers and clearing organizations	384,449
Securities owned, at market value	100,532
Due from others	183,790
Property and equipment, net of accumulated depreciation of \$154,354	122,036
Artwork	20,635
Deferred income taxes	60,843
	<u>\$ 985,397</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>Liabilities</b>	<u>\$ --</u>
<b>Stockholder's equity</b>	
Common stock, 1,000,000 shares authorized with \$1 par value, 27,721 shares issued and outstanding	27,721
Retained earnings	957,676
Total stockholder's equity	<u>985,397</u>
	<u>\$ 985,397</u>

The accompanying notes are an integral part of these financial statements.

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Income

For the Year Ended September 30, 2002

**Revenues**

Securities commissions	\$ 260,207
Gains or (losses) on firm securities trading accounts	(263,562)
Gains or (losses) on firm securities investment accounts	(69,300)
Margin interest	3,963
Other	97,980
	<u>29,288</u>

**Expenses**

Registered representatives compensation	33,772
Salaries	21,728
Communications	65,309
Occupancy and equipment costs	20,675
Promotional costs	16,061
Regulatory fees and expenses	24,041
Other expenses	26,917
	<u>208,503</u>
Net loss before income taxes	(179,215)
Federal income tax expense	<u>(72,713)</u>
Net loss	<u><u>\$ (251,928)</u></u>

The accompanying notes are an integral part of these financial statements.

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Changes in Stockholder's Equity

For the Year Ended September 30, 2002

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at September 30, 2001	\$ 27,721	\$ 1,209,604	\$ 1,237,325
Net loss		<u>(251,928)</u>	<u>(251,928)</u>
Balances at September 30, 2002	<u>\$ 27,721</u>	<u>\$ 957,676</u>	<u>\$ 985,397</u>

The accompanying notes are an integral part of these financial statements.



LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Changes in Liabilities

Subordinated to Claims of General Creditors

For the Year Ended September 30, 2002

Subordinated liabilities at September 30, 2001	\$	--
Increases		--
Decreases		--
		<hr/>
Subordinated liabilities at September 30, 2002	\$	--
		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Cash Flows

For the Year Ended September 30, 2002

**Cash flows from operating activities:**

Net loss	\$ (251,928)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation	7,082
Deferred income taxes	72,713
Unrealized losses on investment securities	69,300
Changes in operating assets and liabilities:	
Increase in receivables from broker/dealer and clearing organization	(109,707)
Decrease in trading securities	72,183
Decrease in due from others	139,925
	<hr/>
Net cash provided (used) by operating activities	(432)

**Cash flows from investing activities:**

Purchase of property and equipment	(3,751)
Purchase of investment securities	(50,000)
Proceeds from sale of investment securities	30,000
	<hr/>
Net cash provided (used) by investing activities	(23,751)

**Cash flows from financing activities:**

Net cash provided (used) by financing activities	<hr/> --
Net decrease in cash and cash equivalents	(24,183)
Cash and cash equivalents at beginning of year	<hr/> 137,295
Cash and cash equivalents at end of year	<hr/> <hr/> \$ 113,112

**Supplemental Disclosures of Cash Flow Information**

Cash paid during the year for:

Interest	<hr/> \$ --
Federal income taxes	<hr/> \$ --

The accompanying notes are an integral part of these financial statements.

## LITTLE AND COMPANY INVESTMENT SECURITIES

### Notes to Financial Statements

September 30, 2002

#### Note 1 - Organization and Operation

The Company is a broker-dealer in securities registered with the Securities and Exchange Commission under (S.E.C.) Rule 15c3-3 (k)(2)(ii) which provides that all the funds and securities belonging to the Company's customers would be handled by a correspondent broker-dealer. Receivables from brokers and dealers are due from the Company's correspondent. Approximately, 95% of the Company's commission business is with customers located in the Midland/Odessa metroplex. The Company also organizes illiquid publicly traded corporations and subsequently sells or merges them with private operating companies.

#### Note 2 - Accounting Policies Followed by the Company

##### **Securities Transactions and Valuations**

Security transactions are recorded on a trade date basis. Commission income and expenses are recorded on a settlement date basis, generally the third business day following the transaction. If materially different, commission income and expenses are recorded on a trade date basis.

Company owned securities and investments are carried at market value. Securities and investments which are not readily marketable are carried at fair value as determined by management of the Company. The increase or decrease in net unrealized appreciation or depreciation of securities is credited or charged to operations.

##### **Property and Equipment**

Property and equipment are stated at cost. Property and equipment are depreciated using an accelerated method over the estimated useful lives of five to seven years. The building is depreciated over 39 years using a straight-line method.

##### **Accounting Estimates**

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## LITTLE AND COMPANY INVESTMENT SECURITIES

### Notes to Financial Statements

September 30, 2002

#### Note 2 - Accounting Policies Followed by the Company, continued

##### **Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax benefits are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future Federal income taxes.

##### **Other**

Advertising costs are expensed as incurred. Advertising expenditures for the year ended September 30, 2002 were \$15,529.

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

For purposes of reporting cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business.

#### Note 3 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

At September 30, 2002, the Company had net capital of approximately \$566,934 and net capital requirements of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

#### Note 4 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (S.E.C.) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

LITTLE AND COMPANY INVESTMENT SECURITIES

Notes to Financial Statements

September 30, 2002

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

Furniture and equipment	\$ 124,699
Building and improvements	126,691
Land	<u>25,000</u>
Total	276,390
Less: accumulated depreciation	<u>154,354</u>
	<u>\$ 122,036</u>

Depreciation expense for the year ended September 30, 2002 was \$7,082.

Note 6 - Federal Income Taxes

Income tax (expense) benefit consists of the following:

	<u>Amount</u>
Current	\$ 37,213
Deferred	<u>(109,926)</u>
	<u>\$ (72,713)</u>

The deferred income tax asset consists of the following:

Temporary differences	\$ 23,630
Net operating loss carryback	<u>37,213</u>
	<u>\$ 60,843</u>

The deferred tax expense results primarily from the unrealized losses on the investments of the Company and a net loss carryback of \$109,450.

Note 7 - Concentration of Risk

The Company owns securities that are concentrated 25% in the communication industry and 75% in the manufacturing industry.

LITTLE AND COMPANY INVESTMENT SECURITIES

Notes to Financial Statements

September 30, 2002

Note 8 - Commitments and Contingencies

Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on the unsettled trade. At September 30, 2002, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Note 9 - Related Party Transactions

The Company has made advances to the sole stockholder, and paid expenses of dormant or illiquid publicly traded companies that the Company temporarily positions. At September 30, 2002, receivables from the dormant companies totaled approximately \$58,564. No interest income was recognized on these receivables. The Company expects to collect the dormant companies' receivables at the time they are merged with operating private companies.

Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934  
As of September 30, 2002

## Schedule I

### LITTLE AND COMPANY INVESTMENT SECURITIES

#### Computation of Net Capital Under Rule 15c3-1

#### of the Securities and Exchange Commission

As of September 30, 2002

### COMPUTATION OF NET CAPITAL

Total stockholder's equity qualified for net capital		\$ 985,397
Deductions and/or charges		
Non-allowable assets:		
Due from others	\$ 183,790	
Property and equipment	122,036	
Artwork	20,635	
Deferred income taxes	60,843	(387,304)
Net capital before haircuts on securities positions		598,093
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f)):		
Other securities		31,159
Net capital		<u>\$ 566,934</u>

### AGGREGATE INDEBTEDNESS

Items included in statement of financial condition	\$ --
--	-------



**Schedule I (continued)**

**LITTLE AND COMPANY INVESTMENT SECURITIES**

**Computation of Net Capital Under Rule 15c3-1**  
**of the Securities and Exchange Commission**

**As of September 30, 2002**

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ --</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 250,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 250,000</u>
Net capital in excess of required minimum	<u>\$ 316,934</u>
Excess net capital at 1000%	<u>\$ 566,934</u>
Ratio: Aggregate indebtedness to net capital	<u>.00 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

There were differences in the computation of net capital under Rule 15c3-1 from the Company's computation. The following serves to reconcile the differences in net capital:

Net capital, as reported in Company's (unaudited) Focus report	\$ 547,562
Increase (decrease) due to adjustments for:	
Unrealized and realized gains and losses	(324,100)
Haircuts on securities	278,467
Classification of securities as other assets	<u>65,005</u>
Net capital per audited computation	<u>\$ 566,934</u>

## **Schedule II**

**LITTLE AND COMPANY INVESTMENT SECURITIES**  
**Computation for Determination of Reserve Requirements Under**  
**Rule 15c3-3 of the Securities and Exchange Commission**  
**As of September 30, 2002**

### **EXEMPTIVE PROVISIONS**

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Pershing, a division of Donaldson, Lufkin, Jenrette

Independent Auditor's Report

on Internal Control

Required by SEC Rule 17a-5

Year Ended September 30, 2002



***Cheshier & Fuller, L.L.P.***

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SEC PRACTICE SECTION OF AICPA  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5

The Board of Directors  
Little and Company Investment Securities

In planning and performing our audit of the financial statements and supplemental schedules of Little and Company Investment Securities (the "Company"), for the year ended September 30, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives.

Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U. S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

  
CHESHER & FULLER, L.L.P.

Dallas, Texas  
October 16, 2002